

Chapter 700 - Covered Wages

Subchapter 01 - Covered Wages

70001.701 Wages Defined

The term “wages” means remuneration paid in cash or some other form for services performed by an employee.

The label given the payment (salary, fee, commission, etc.) and the basis for the payment is immaterial in determining whether the remuneration constitutes wages.

70001.710 Covered State and Local Government Employment

Wages paid to a State and local government employee who performs services covered under a Section 218 Agreement or under the mandatory Social Security and Medicare coverage provisions is covered employment for Social Security and Medicare benefit purposes.

70001.720 Payments for Periods Not Covered Under Section 218 Agreement

Payments made on or after the effective date of coverage under a Section 218 Agreement for services performed prior to the effective date of coverage are not covered wages unless the services were performed in positions mandatorily covered for Social Security and Medicare or Medicare only.

70001.725 Maximum Creditable Wages

A. General

The term “wages” does not include that part of remuneration paid above the maximum creditable wage amount for any calendar year. The maximum creditable wage amount is the maximum dollar amount that may be credited to a worker’s Social Security earnings record each year as specified by Section 230 of the Act. Amounts that exceed the maximum amount will not be used in benefit computations. The wage limit applies to the year **in** which wages are paid, **not** the year **for** which payments are made. The Social Security Office of the Actuary has the list of the maximum creditable wage amounts for the current and past years on the Social Security [website](#).

B. How Maximum Wage Amounts Are Credited in Multiple Employer Situations

If a worker earns the maximum creditable wage amount or higher in a calendar year through employment with two or more State and local government entities that have Social Security coverage under Section 218 agreements, how those earnings will be credited – either as one Social Security maximum or in multiple amounts – is dependent upon the employer identification number (EIN) used by each employer.

Where employers share the same EIN, there would be one Social Security maximum credited. Social Security taxes should not be withheld for wages above the maximum creditable wage amount.

Where the employers have different EIN's, the wage amounts from each employer would be taxed and credited separately up through the maximum creditable wage amount for each EIN. In such cases, the employee is entitled to file for a refund of the overpaid Social Security taxes when filing their personal income tax return (Form 1040). See Department of the Treasury IRS Form 1040 "Instructions" available at the webpage for [IRS forms and publications](#).

C. Maximum Creditable Wages for Medicare

Before 1991, the maximum creditable wage amount for Social Security (old-age, survivors and disability insurance) and Medicare (hospital insurance) was the same. P.L. 101-508 established a separate and higher maximum wage amount for Medicare for the period 1991 through 1993. The maximum creditable wage amounts for Medicare became \$125,000 for 1991, \$130,200 for 1992, and \$135,000 for 1993. The Medicare maximum wage amount was repealed by the Omnibus Budget Reconciliation Act of 1993. Beginning in 1994, there is no maximum creditable wage limit for Medicare taxation.